# Strategic Interactions Fostering Organizational Transformation: a Top Management Game Perspective

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**Abstract:**

This article offers a process model of top executives' strategic interactions for organizational transformation. Building on punctuated equilibrium theory and on sociologist Erving Goffman' concept of game, it theorizes a top management game played by individuals and coalitions from within the top management group. By fostering strategic creativity, the game solves the strategic dilemma between exploiting the ongoing organizational path with the risk of letting the organization die and exploring new paths toward organizational transformation. This article contributes to the strategic leadership literature by showing that strategic interactions are at the foundations of the upper echelon and by modelling the process of behavioral integration as a top management game. It also offers implications for ambidexterity and punctuated equilibrium research, and for practice.

**Keywords:** Strategic leadership, process studies, behavioral integration, game, ambidexterity, punctuated equilibrium theory.

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## INTRODUCTION

Strategic leadership research has sought to understand how top executives build an *"ambidextrous organizational system"* in capacity to both exploit the ongoing organizational path and explore new paths (Carmeli and Halevi, 2009; Lubatkin *et al.*, 2006). However, despite attempts to understand top executives' internal processes (Smith and Tushman, 2005; Tushman and O'Reilly III, 1996), and in particular top executives' behavioral integration, i.e., the *"degree to which the group engages in mutual and collective interaction"* (Hambrick, 1994: 188), research has overlooked the way through which top executives mutually and collectively interact to engage in exploring new organizational paths that eventually lead to organizational transformation (Gibson and Birkinshaw, 2004).

As the variance approach has predominated the strategic leadership literature (Hambrick, 1994; Lawrence, 1997; Priem, Lyon, and Dess, 1999), it has improved the understanding of the composition and the structure of top executives (Finkelstein *et al.*, 2009; Finkelstein and Hambrick, 1996). However, this approach cannot offer a fine-grained explanation of the mechanisms through which top executives alternate between exploration and exploitation as such mechanism is processual by nature (Smith and Tushman, 2005; Tushman and O'Reilly III, 1996). Thus, this article develops a distinct process perspective of the upper echelon to study how top executives collectively engage in exploitation and exploration by centering on *"how and why things emerge, change, and unfold over time"* (Langley *et al.*, 2013: 1). For that purpose, it builds on punctuated equilibrium theory that conceptualizes the process through which top executives lead organizational transformation following radical change (Tushman and O'Reilly III, 1996; Tushman and Romanelli, 1985). It also relies on sociologist Erving Goffman's concept of game from a symbolic interactionism perspective to conceptualize top management games as the strategic interactions occurring at the upper echelon (Goffman, 1969).

Building on this conceptual grounding, this article develops a process model that shows that following a shock signaling a potential drift of the organization from its environment,

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individuals and coalitions from within the top management group play a top management game to solve the exploration/exploitation dilemma. The coalition that dominates the top management group is more likely to continue exploiting the same path while dissident coalitions to explore new paths. The game is organized in rounds, each round beginning with the deciphering of a shock. Individuals and coalitions strategically interact and confront their own response to the shock to validate a strategic option that eventually bridges the potential drift, based on their deciphering of the signal, on their vested interests, and on potential previous rounds of game. If new shocks erupt at the end of a round of game, the offered strategic option has not bridged the drift. Thus, new rounds unfold, and new strategic options develop until there is no more shock. The solution to the exploration/exploitation dilemma, i.e., path reinforcement or transformation, depends on the winner of the game. As knowledge and understanding accumulate throughout rounds, strategic creativity develops leading to evolutions in coalitions and organizational explorations and make the strategic options evolve throughout the game. At the end of the top management game, the organization is either able to reconnect with its environment or dies.

By developing the process model of top management game, this article contributes to the strategic leadership literature by showing that strategic interactions are at the foundations of the upper echelon and by modelling the process of behavioral integration as a top management game. It also offers implications for ambidexterity and punctuated equilibrium research, and for practice.

The remainder of this article is organized as follows. The first two sections unpack the punctuated equilibrium theory that offers a process of how top executives transform organizations and the concept of game from a symbolic interactionism perspective to theorize top executives' strategic interactions. Then, building on these conceptual groundings, the third section showcases a model of top management game that theorizes the way through which top executives strategically interact for organizational transformation. In the final section, we discuss this model with the literature on strategic leadership and offer theoretical and practical implications.

# 1. A PROCESS THEORY OF TOP EXECUTIVES' ORGANIZATIONAL TRANSFORMATION

## 1.1. BEHAVIORAL INTEGRATION FROM A PROCESS PERSPECTIVE

The idea that organizational outcomes reflect the upper echelon of the organization led to a research agenda aimed at scrutinizing how top executives' composition, structure, and

processes influence organizations' performance (Finkelstein and Hambrick, 1996; Hambrick and Mason, 1984). However, only part of this ambitious project has been pursued. Despite the study of behavioral integration, a meta-construct of top executives processes that encapsulates their social integration, the frequency and quality of their exchanges, and their collaboration (Hambrick, 1994), and of how it solves the exploration/exploitation dilemma (Carmeli and Halevi, 2009; Lubatkin *et al.*, 2006; Smith and Tushman, 2005; Tushman and O'Reilly III, 1996), most strategic leadership research has left aside the top executives processes that encompass *"the nature of interaction among top managers as they engage in strategic decision making"* (Finkelstein and Hambrick, 1996: 118).

This failure to address top executives' processes can be explained by the reliance on a variance approach that led to scrutinize upper echelon constructs such as behavioral integration based on organizational demography variables for their easy measure and parsimonious explanations (Lawrence, 1997; Pfeffer, 1981a, 1983). Therefore, the mechanisms through which top executives engage in mutual and collective interaction to solve the exploitation/exploration dilemma, which are processual by nature, remain ill-understood and the shortcomings that have been noticed since the inception of the strategic leadership field in the 1990s remain current: *"We still know little about […] how, why, and when the upper echelons engage in fundamental processes of problem sensing, decision making, learning, and change."* (Pettigrew, 1992: 178).

We thus suggest the reliance on process studies. Even if the strategic leadership initial agenda aimed to study *"how members of the top management teams scan, transmit, analyze, and act on environment information"* (Hambrick and Mason, 1984: 203), process studies have seldom been mobilized ever since (for an exception, see Smith et al., 1994). For instance, while Bromiley and Rau (2016) capture studies at the intersection of process theory and strategic leadership, as they are trapped in a variance perspective, their review mainly consists of articles that focus on the influence of variables related to TMTs and CEOs on performance (or related constructs). They hardly allow the understanding of *"how and why things emerge, change, and unfold over time"* (Langley *et al.*, 2013: 1). In contrast, process studies allow the exploration of the mechanisms that investigate the sequence of events and activities occurring at the upper echelon (Langley *et al.*, 2013; Pettigrew, Woodman, and Cameron, 2001; Van de Ven, 1992). They offer the potential to identify how top executives make decisions (Lawrence, 1997; Pettigrew, 1992) by focusing on their mutual and collective interactions that occur within executive suites, boardrooms, and *"kitchen cabinets"* (Frisch, 2011).

Beyond data access that may prevent researchers from adopting a process approach for the study of the upper echelon (for some counterexamples, see Doz and Wilson, 2017; Harvey, Currall, and Hammer, 2017; Mintzberg and Waters, 1985; Pettigrew, 1985; Pitcher and Smith, 2001; Smith *et al.*, 1994), we argue that the real barrier lies in the absence of a process theory that depicts and explains the roles that top executives play during organizational processes. To solve this issue, we review existing process theories of organizational change, based on which we can build our process theory of strategic interactions at the upper echelon.

### 1.2. PROCESS THEORIES OF ORGANIZATIONAL CHANGE

Organizational change can be either emergent, incremental, or radical. First, when change is emergent, it is continuous, slow, and patchy (Nelson and Winter, 1982). There is no distinctive trigger as change emerges because the addition of amplifying actions and environmental conditions accelerates small changes into radical changes (Plowman *et al.*, 2007). There is no exploration of opportunities as the organization only exploits its current path (March, 1991). Organizational actors – either top executives or middle managers – do not have any specific role in change. Even though they try to achieve specific goals, the outcomes often differ from the intended ones. This is because the emergent change is enacted through a series of subtle changes made through experimentation (Orlikowski, 1996, 2000).

Second, when change is incremental, it is triggered by experimentations with new products, structures, and processes. Successful variations become institutionalized and lead to incremental change (Quinn, 1980). Such change is steady, ongoing, evolving, and cumulative; the organization exploits its current path (March, 1991). As the organization's strategy does not always follow the environment, managers must manage the incremental changes to keep pace with them as long as the required changes are in "consonance" with the paradigm in which the organization evolves (Johnson, 1988).

Middle managers are the individuals who oversee incremental change through the implementation of the strategy (Huy, 2011; for a review, see Weiser, Jarzabkowski, and Laamanen, 2020). This is in line with Brown and Eisenhardt's (1997) model of continuous change that shows that organizations grow over time through a series of sequenced steps led by middle managers who improvise through limited structure and real-time communication and experimentation. In contrast, top executives have a limited role as middle managers sell them their issues (Dutton and Ashford, 1993) and help them to make decisions (Raes *et al.*, 2011). For instance, in the context of corporate entrepreneurship, middle managers draw the

attention of top executives to their preferred initiatives and prompt them to choose among them (Ren and Guo, 2011).

Third, change is radical when organizations adapt following shocks. Radical change is fast, systemic, and episodic (Miller and Friesen, 1980; Weick and Quinn, 1999). It is defined as a *"discontinuous, or second-order change [that] transforms fundamental properties or states of the system"* (Meyer, Brooks, and Goes, 1990: 94). It occurs during periods of divergence when organizations move away from their equilibrium conditions (Tushman and Romanelli, 1985). A *"strategic drift"* between the organization and its environment appears (Johnson, 1988). Signals from the environment are in *"dissonance"* with the paradigm of the organization and new strategic options are required to help the organization to overcome the radical change (Johnson, 1988).

Change agents – including the CEO, its top management team, consultants, and also boards of directors (Ginsberg and Abrahamson, 1991; Withers, Corley, and Hillman, 2012) – design and carry out radical change. They are responsible for shifting their organization by exploring new organizational paths (Smith and Tushman, 2005; Tushman and O'Reilly III, 1996). They deliberately and consciously accomplish the transformation through some sets or series of actions and interventions (Bartunek, 1984; Child, 1972; Ford and Ford, 1995; Pettigrew, 1985; Tichy, 1983). For instance, Kotter (1996) explained that these actions begin by creating a sense of urgency and by building a guiding coalition before forming a strategic vision and initiatives and enlisting a volunteer army. Similarly, Dutton and Duncan (1987) emphasized the necessity for top executive to create a momentum for change and Gioia and Chittipeddi (1991) to give sense to lower level employees. On their side, middle managers conduct the change by leading the transformation projects (Balogun, Bartunek, and Do, 2015).

### 1.3. PUNCTUATED EQUILIBRIUM THEORY

Our review of the three types of organizational change processes shows that top executives do not have a specific role during emergent and incremental change but have a critical role during radical change. In response to a shock, top executives stop exploitation to explore new opportunities and provide the impulse for revolutionary change (Romanelli and Tushman, 1994; Smith and Tushman, 2005; Tushman and O'Reilly III, 1996; Tushman and Romanelli, 1985). Research has also detailed the actions they undergo to steer the required change (e.g., Bartunek, 1984; Child, 1972; Dutton and Duncan, 1987; Gioia and Chittipeddi, 1991; Kotter, 1996; Tichy, 1983).

While these elements are best encapsulated by punctuated equilibrium theory that states that following a shock, top executives steer radical change (Tushman and Romanelli, 1985), the theory explains that top executives' leadership capabilities alone do not explain the ability to steer change (Nadler and Tushman, 1990) and that the top executives who steer the change can either be from the current executive team or a CEO hired from the outside without explaining the reasons of each situation (Romanelli and Tushman, 1994; Tushman and Rosenkopf, 1996; Virany, Tushman, and Romanelli, 1992; Wischnevsky and Damanpour, 2005). Furthermore, while the strategic leadership literature acknowledges that top executives drive organizational ambidexterity thanks to their behavioral integration and cognitive capabilities (Carmeli and Halevi, 2009; Gibson and Birkinshaw, 2004; Lubatkin *et al.*, 2006; Smith and Tushman, 2005; Tushman and O'Reilly III, 1996), it does not explain the mechanisms through which decisions are made to explore new organizational paths. Given these blind spots, next section unpacks the concept of game from a symbolic interactionism perspective.

## 2. THE CONCEPT OF GAME

To model the interactions at the upper echelon, we rely on the concept of game as developed by Ervin Goffman in *Strategic Interaction* (Goffman, 1969). Goffman is at the origin of symbolic interactionism according to which people act on the basis of meaning, that meaning arises out of social interaction, and that meaning can be modified through social interaction (Dionysiou and Tsoukas, 2013). By placing themselves in the position of others, individuals align their actions to the actions of others by identifying the meaning of the acts that others are about to engage in and take their point of view.

Hence, *Strategic Interaction* criticizes rational game theory as developed by Von Neumann and Morgenstern (1944) (Fine and Manning, 2007; Manning, 2008). Game theory assumes that players not only know what they want, but also who have an order of preference for the things they want. Furthermore, the theory assumes that players' aim is to maximize gains and minimize the costs and that decisions are made in situations in which players have only some, but not complete, control, just as their opponents. The outcome of a game is thus the result of the way through which players and their opponents behave. Game theory implies that each player must act in such a way as to take the other's behavior into account and, more to the point, knowing that a player's behavior is also considered by the other. In classic form, the gains of one player are exactly matched by the losses of the other (von Neumann *et al.*, 1944).

In contrast, *Strategic Interaction* suggests that playing a game does not rely on understanding behaviors but social interactions (Bernard, 1965). Shifting from a mathematical to a symbolic interactionism perspective on game involves putting the emphasis on communication rather than secrecy, on coordination rather than cooperation, and on a dynamic rather than a static model (Bernard, 1965). By advocating a focus on the player, basic moves, and the rules governing face-to-face conduct, Goffman (1969) investigated the procedures and practices through which people organize, and bring into life their face-to-face dealings with each other (Fine and Manning, 2007). For Goffman (1969), a game is inscribed within normative constraints that govern the interaction order that constitute the rules of the game. It involves players who play within parties. While playing, players can adopt different strategies and thus make different moves. For instance, they can decide to act deliberately or not during the game, they can make calculation, and they can counteract moves from others. Players can also choose to play for themselves or for others for instance by sacrificing themselves for others, express their position or be used as a source of information. Building on the concept of *game* from a symbolic interactionism perspective, we develop below the model of top management game.

## 3. THE TOP MANAGEMENT GAME

To understand how top executives strategically interact for organizational transformation, we first expand punctuated equilibrium theory to conceptualize the change trigger as a signal of drift of the organization from its environment. We then build on the concept of game to conceptualize top management game as the way through which top executives strategically interact. Finally, we focus on how the top management group solves the exploitation/exploration dilemma.

### 3.1. SHOCKS AS SIGNALS OF POTENTIAL DRIFT OF THE ORGANIZATION FROM ITS ENVIRONMENT

Punctuated equilibrium theory states that revolutionary changes are triggered by shocks emanating from environmental or organizational forces (Tushman and Romanelli, 1985). When coming from environmental forces, shocks are caused by changes in the environment that render organizations unable to realign due to their path dependency (Alakent and Lee, 2010; Greve and Yue, 2017). There are numerous illustrations of external shocks, ranging from economic downturns (e.g., Chakrabarti, 2015) to disasters (e.g., Mithani, 2020). When coming from organizational forces, shocks similarly show the inability of top executives to align their organization with its environment due to their lack of behavioral integration

(Carmeli and Schaubroeck, 2006), their cognition (D'Aveni and MacMillan, 1990), their personality (Chatterjee and Hambrick, 2007), or their incompetence. Examples include product recalls (e.g., Zavyalova *et al.*, 2012), strikes (e.g., Meyer, 1982), major failures (mergers and acquisitions, new products launches or new information systems deployments, e.g., Sarker and Lee, 1999), sexual harassment and corruption scandals (e.g., Desai, 2011), or top executive turnover (e.g., Wiersema and Bantel, 1993).

We expand punctuated equilibrium theory by arguing that both external and internal shocks constitute for top executives a signal of potential drift of the organization from its environment. Signals are positive or negative pieces of information that can be ascribed different values and are more or less observable by the members of an organization (Connelly *et al.*, 2011; Spence, 2002). Our argument is that it is neither the nature nor the magnitude of the shock that determines whether top executives continue exploiting the ongoing path or explore new path to overcome the shock but rather whether top executives perceive the weak cues from the environment as signals of potential drift of the organization from its environment. If so, they will explore new organizational paths to transform the organization.

Members of the upper echelon can perceive differently the same shock. Shocks can be ignored and seen as not relevant for the organization, they can be found "consonant" with the current paradigm and require a response the organization can handle, or they can be found "dissonant" with the current paradigm and require more investigation from top executives (Johnson, 1988). The heat wave that occurred in France in the summer of 2003 that caused more than 14,000 deaths among the elderly illustrates the case of a shock that was deciphered either as fate that did not signal any drift of the organization from its environment or, in contrast, as an emergency crisis under the responsibility of an organization or of some actors that signaled a drift and required drastic changes (Boudes and Laroche, 2009). We argue that based on their deciphering and interpretation of the shock, i.e., whether the shock signals a drift of the organization from its environment or not, top executives take different actions during what we call a top management game.

### 3.2. THE TOP MANAGEMENT GAME

Building on Goffman (1969), we model the strategic interactions occurring within the upper echelon in response to a shock as a *top management game*. We first introduce its players, then indicate the move of players, and finally describe how a game play.

### 3.2.1. The players of the top management game organized in coalitions from within the top management group

The players of the top management game are the members of the top management group (Hambrick, 1994). Rather than acting as a team, Hambrick (1994) suggested that top executives act as a group. They work with their inner circle (Mooney and Amason, 2011; Roberto, 2003) or their *"kitchen cabinet"* (Frisch, 2011) and organize in constellations of individuals (Hambrick, 1995, 2007; Ma, Kor, and Seidl, forthcoming; Ma and Seidl, 2018). The top management group usually comprises the members of the top management team whose perimeter varies among studies as it may include the two highest executive levels, managers identified by the CEO as members of the TMT, all managers at the vice-president level or higher, etc. (Priem et al., 1999) It may also comprise the board of directors acting as a forum (Ravasi and Zattoni, 2006) or some of its members as strategic partners (Boivie et al., 2021; Luciano, Nahrgang, and Shropshire, 2020) who can voice their concern for instance by leaving the board (Withers et al., 2012). Finally, the consultants who act as change agents can also be part of the top management group (Ginsberg and Abrahamson, 1991).

While Denis et al. (2001) acknowledged that a unified top management group is necessary in situations of strategic drift, they nevertheless observed that its unity is always fragile. This is caused by the microdynamics that occur within the top management group that prevent unity (Kisfalvi, Sergi, and Langley, 2016). We thus argue that top management groups are rarely unified but often split between two or more parties (Goffman, 1969), namely, the dominant coalition and one or more dissident coalitions. Our conceptualization of the dominant coalition corresponds to the one mobilized in the upper echelon theory (Mithani and O'Brien, 2021): members of the top management groups who hold the power over the organization. They usually comprise the top executives at the core of the top management team that include CEOs and their inner circles. In contrast, dissident coalitions are the members of the top management group who are the most likely to be situated at its periphery.

At the beginning of top management games, coalitions are structured around the players' negotiated common interests, depending on whether they perceive the shock as signals of drift and thus on the necessity to continue exploiting the ongoing path or to explore new paths. Following Cyert and March (1963), coalitions gather individuals with common goals and interests (see also Gavetti *et al.*, 2012). In other words, each coalition is behaviorally integrated. It relies upon the knowledge base of its members regarding their deciphering of the shock (Michel and Hambrick, 1992; Wei and Wu, 2013) and the capacity of the group members to agree on the resources to mobilize to face the potential drift (Bourgeois, 1980).

Top executives' cognitive and personal attributes partly determine the composition of the initial coalitions (Carpenter, Geletkanycz, and Sanders, 2004).

### 3.2.2. The moves of the players determined by the coalition to which they belong

Players who play a top management game are not motivated by gaining power against another coalition but rather by having their vested interests win the game to have their organization survive the potential drift. We argue that when facing a shock, the dominant and dissident coalitions both have preferred interpretations and responses to the shock.

The dominant coalition tends to ignore or undermine shocks. It tends not to see them as signals of potential drifts of the organization from its environment due to its socio-cognitive (Hodgkinson and Wright, 2002), but also psychological, socio-technical (Omidvar, Safavi, and Glaser, 2022), economic, and political inertia (Besson and Rowe, 2012). Members from the dominant coalition have strategic interests in reproductive patterns that lead the organization to continue exploiting its ongoing path and stay at equilibrium. In fact, the individuals at the core of the top management group have a propensity of taken-for-grantedness attitudes (Scott, 1995). They also tend to bias information in an optimist direction during stress and uncertainty (Janis, 1972; Starbuck, Greve, and Hedberg, 1978) and can face an escalation of commitment that leads them to avoid change (Staw, 1981; Staw, Sandelands, and Dutton, 1981). Finally, as they want to gain legitimacy, they avoid potential reputational issues that would question their dominant status (Desai, 2011).

In contrast, dissident coalitions tend to decipher shock as signal of drifts of the organization from its environment. The perceived drifts create a disequilibrium that dissident coalitions take as opportunities for exploring new organizational paths (Tushman and O'Reilly III, 1996). This is because actors at the periphery tend to develop innovative behaviors (Regnér, 2003; Scott, 1995). As dissident coalitions are not deemed responsible for the decisions of the organization, they are also less sensitive to the legitimacy and reputational effects that may occur from a potential organizational failure even though acknowledging a potential drift however remains risky for them (Denis *et al.*, 2001). Finally, they can gain payoffs from a change of path by improving their position among the top management group and eventually taking over the dominant coalition to lead the exploration of a new path (Virany *et al.*, 1992).

### 3.2.3. A game organized in successive rounds that lead to strategic creativity

A top management game organizes following a process that corresponds to the period of flux observed by Mintzberg (1978) during which it is not clear whether the organization will choose to exploit its ongoing path or explore new ones. This is because successive rounds of

game unfold during that period (Goffman, 1969). A round starts when a shock is deciphered by the players of the game who then organize in coalitions to define a strategic option to halt the shock. It ends when a decision is made to either exploit the ongoing path or explore new paths. However, if a new shock is being deciphered, a new round of game begins. It means that the market does not validate the offered strategic option. When there are no more shocks deciphered by the players of the game, the top management game ends. In that case, the market has validated the strategic option: the organization has either reconnected with its environment or died.

Coalitions are dynamic and are thus subject to change during each round of the game. While coalition formations reflect a degree of path dependency (Gavetti, Levinthal, and Ocasio, 2007; March and Simon, 1958), Denis et al. (2001) showed that players can nevertheless decipher the shock and strategize a response differently over time, join other coalitions, or leave their initial coalition. Such findings are coherent with strategic leadership literature that shows that microdynamics occurring within the top management group are dynamic (Kisfalvi *et al.*, 2016) and that strategic leadership constellations evolve as organizational change unfolds (Ma and Seidl, 2018).

This evolution of coalitions is based on how the players of the game create meaning (Dionysiou and Tsoukas, 2013; Goffman, 1969). While at the beginning of a game the different positions of the coalitions toward change are likely to be polarized, each coalition having its preconception of how to decipher the shock, as the game unfolds, meaning is created among the top management group. Through their perception of the evolving environment, the different coalitions converge throughout rounds toward an acceptable strategic option (Dess, 1987; Dess and Origer, 1987).

To avoid groupthink, i.e., when desire for harmony or conformity in the group results in an irrational or dysfunctional decision-making outcome (Janis, 1972) or the Abilene paradox, i.e., when decisions are counter to the preferences of many or all of the individuals in the group (Harvey, 1974), strategic creativity develops during this period of flux. This is due to the fact that the top management group learns from previous rounds of game (Lant, Milliken, and Batra, 1992). New rounds of game lead to the multiplication of strategic interactions during which members of the top management group communicate and coordinate themselves towards a solution to transform their organization (Goffman, 1969). Furthermore, when facing a crisis, some individuals and groups of individuals develop creativity (Jeong, Gong, and Zhong, 2022). The propensity of top executives to do so relies on their cognitive capabilities

to deal with paradoxes (Carmeli and Halevi, 2009). One extreme example is the case of Hyundai Motor Company that proactively created internal crises to improve its learning and improve itself over time (Kim, 1998).

### 3.3. THE OUTCOME OF THE GAME: SOLVING THE EXPLORATION/EXPLOITATION DILEMMA

Punctuated equilibrium theory shows that when top executives favor exploitation, the organization keeps the same equilibrium, and the deep structure of the organization is kept consistent (Gordon *et al.*, 2000; Lant *et al.*, 1992; Wischnevsky and Damanpour, 2005). In contrast, when adopting a revolutionary change leading to explore new paths, the organization's equilibrium is broken, leading to a renewed deep structure (Gersick, 1991). Exploration and exploitation constitute the two possible outcomes of a top management game (Gordon *et al.*, 2000; March, 1991; Smith and Tushman, 2005).

#### 3.3.1. Exploiting the ongoing path (reinforcing)

When the outcome of a top management game leads the organization to continue exploiting its ongoing path, this is because the meaning that is nurtured throughout the rounds of game adopts the option favored by the dominant coalition. To convince the dissident coalitions of the necessity for the organization to remain stable and only adopt incremental changes, the dominant coalition benefits from organizational inertia (Besson and Rowe, 2012; Greve and Mitsuhashi, 2007). Throughout rounds of game, it must convince the other coalitions that the succeeding shocks do not constitute signals of drift.

A specific case relates to when at the beginning of a top management game there is a high degree of behavioral integration within the top management group (Hambrick, 1994): the majority of the members of the top management group decipher the shocks as not being drifts and choose to keep the ongoing path. In that specific case, there is no real dissident coalition to challenge the dominant one. Another case relates to when the shock is mild. Punctuated equilibrium theory explains that then, the organization continues exploring its ongoing path (Gordon *et al.*, 2000; Lant *et al.*, 1992; Wischnevsky and Damanpour, 2005). Indeed, dissident coalitions encounter difficulties making moves against the dominant coalition because they are short on arguments to create meaning for change among the top management group. For its part, the dominant coalition ignores or minimizes the shock to show that it does not signal a drift of the organization with its environment.

In any case, the consistency of the top management group remains preserved at the end of the game. The dominant coalition also remains dominant, but marginal changes may occur due to

potential attempts of moves from the dissident coalitions or individuals toward a change of path. The deep structure of the organization remains preserved. Reinforcing the ongoing path either leads to overcome the succeeding shocks meaning that there was no drift or leads to the death of the organization that was not able to reconnect with its environment despite the signals of drift that have been ignored throughout rounds.

### 3.3.2. Exploring new paths for the organization (transforming)

Organizations explore new paths when a dissident coalition takes over the dominant coalition. Such move is more likely to occur after several rounds of game. Offering a strategic option that starkly differs from the exploitation of the current organizational path is likely to rigidify the position of the dominant coalition (Staw *et al.*, 1981). Possibilities of take-overs would then be restrained. As rounds create meaning among players, the dominant coalition is more likely to open its game to dissident coalitions as rounds unfold. As the drift widens, the organization becomes at risk and the dominant coalition must find a strategic option to have its organization reconnect with its environment. Thus, we argue that throughout rounds of game, both strategic options and coalitions evolve and open the possibility for a dissident coalition to offer a strategic option leading to explore new organizational paths. It is in this situation that strategic creativity develops the most. Governance systems can facilitate the move of a dissident coalitions as they can counterbalance the power of the dominant coalition (Dowell, Shackell, and Stuart, 2011).

Shocks can also act as moderators. If the shock is severe, it creates a sense of urgency and the different coalitions are more likely to perceive the shock as a signal of drift, leading to collaboration to bridge the drift. Collaboration among players is the argument well expressed in the prisoners' dilemma of formal game theory (Tucker, 1983). The case of Citibank amidst the 1990 financial crisis also illustrates how CEO John Reed was able to change the organization's path through constant negotiation with members of the top management group given the importance of the crisis (Kaplan, 2015). Hypercompetitive environments offer another illustration. Research shows that the organizations that perform well in hypercompetitive environments and are thus capable of transforming themselves over time are the ones that have a high degree of behavioral integration (Chen, Lin, and Michel, 2010). In other words, given the importance of the successive shocks, there is restricted dissidence in these situations.
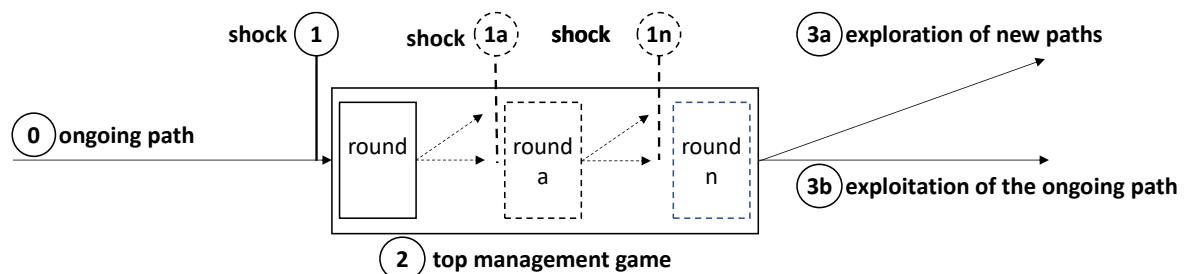
If a dissident coalition wins the game, there is a change of the equilibrium of the top management group (Keck and Tushman, 1993). A new CEO representing the dissident

coalition might be nominated (Greiner and Bhambri, 1989; Virany *et al.*, 1992). This is in line with research on CEO succession that shows that under poor performance conditions and in munificent environments, the propensity of relying on outside CEOs is high (Berns and Klarner, 2017; Karaevli, 2007). The main argument is that they are able to envision and consider new courses of action and have usually low attachment with the current top management group (Finkelstein *et al.*, 2009: 190). Members of the board of director who were part of the dominant coalition may also exit the organization (Withers *et al.*, 2012). In contrast, if there is collaboration due to the severity of the shock, only minor changes are likely to be made to the structure of the top management group. In any case, the deep structure comes apart, and a new deep structure that enacts the strategizing of the new dominant coalition emerges (Hambrick and Mason, 1984). Transforming the organization either leads to overcome the succeeding shocks and bridges the drift or leads to the death of the organization if the chosen option does not to reconnect the organization with its environment.

Figure 1 depicts the model of top management game that captures the strategic interactions during organizational transformation. Theoretical and practical implications are discussed in the next section.

**Figure 1: Process model of top management game**



0: the initial situation when the organization follows its ongoing path.

1: a shock is being deciphered by the top management group as a potential signal of drift of the organization from its environment and triggers a round of top management game. Each round ends with the decision of the top management group to either continue exploiting the same path or exploring new paths.

2: the top management game begins with a shock deciphered by the top management group and ends when no more shocks are being deciphered.

3a: one outcome of a top management game is the exploration of new paths for the organization.

3b: another outcome of a top management game is the exploitation by the organization of its ongoing path.

## 4. CONCLUDING REMARKS

The model of top management game offers theoretical contributions by proposing that strategic interactions are at the foundation of strategic leadership and by modelling behavioral integration as a top management game. It also offers implications for ambidexterity research, punctuated equilibrium theory, and for practice.

### 4.1. STRATEGIC INTERACTIONS AT THE CORE OF STRATEGIC LEADERSHIP

By showing that top executives strategize within a *top management game*, we offer a distinct perspective on the upper echelon that focuses on the strategic interactions that occur among the top management group. Previous research built on the behavioral theory of the firm to develop cognitive and personal attribute arguments to explain strategic decisions (Carpenter *et al.*, 2004; Cyert and March, 1963; Finkelstein *et al.*, 2009; Gavetti *et al.*, 2007). As Hambrick (2007) stated, *"[t]he central premise of upper echelons theory is that executives' experiences, values, and personalities greatly influence their interpretations of the situations they face and, in turn, affect their choices."* (p. 334). It led to important contributions regarding the composition and structure of top management teams (e.g., Carpenter *et al.*, 2004; Finkelstein *et al.*, 2009).

However, as Hambrick (2007) acknowledged, we must consider *"executive characteristics as consequences rather than as causes"* of the decisions made at the upper echelon (p. 338) (see also Nielsen, 2010; Pettigrew, 1992). We thus suggest that strategic interactions within the top management group remain the main determinants when analyzing the upper echelon and that the way top executives interact may change their characteristics. Relying on Goffman's (1969) concept of game, we showed that the upper echelon strategically interacts by forming coalitions that play a top management game. Decisions are made based on moves from players, on changes of coalitions, and on strategic creativity that develops throughout the meaning that the game creates and may in turn change the executive characteristics through meaning-making.

Conceptualizing strategic leadership using the concepts of strategic interaction answers the *how*, *why*, and *when* questions asked since the inception of the field (Pettigrew, 1992): members of the upper echelon gather in coalitions and strategically interact to engage in

fundamental processes of problem sensing, decision-making, learning, and change. They do so to realign their organization potentially drifting from its environment. The gathering in coalitions follows a shock that members of the top management group may assimilate as a signal of drift.

As these change processes have become the *"new normal"* (Mithani, 2020), strategic interactions constitute how the upper echelon nowadays strategizes as it is the role top executives play in organizational transformations, as we developed in our review of organizational change process theories. Strategic interactions occur among coalitions whose motivations differ from traditional behavioral theory of the firm (Cyert and March, 1963; Mithani and O'Brien, 2021). Rather than structuring around power (Eisenhardt and Bourgeois, 1988; Eisenhardt and Zbaracki, 1992; March, 1962; Pettigrew, 1973, 1975; Ravasi and Zattoni, 2006; Tichy, 1983), they structure around the deciphering of the shock and the construction of a strategic option to solve the exploitation/exploration dilemma. Rather than being an end in itself (Emerson, 1962; Pfeffer, 1981b), power is then a means to influence meaning-making among the top management group and eventually achieve organizational transformation. Coalitions also have the capacity to morph throughout rounds of game to make the strategic option evolve. In other words, strategic interactions constitute the way through which the process of search occurs and eventually leads to exploration (March, 1991).

The light that we shed on strategic leadership implies to investigate top executives' interactions by the adoption of a process approach. Further studies can either explore executive suites, board rooms, and *"kitchen cabinets"* to better investigate how strategic interactions occur (e.g., Harvey *et al.*, 2017) or they can solely focus on rounds of game by beginning the investigation during CEO successions that signal the end of a round and a potential new round (e.g., Ma and Seidl, 2018) or shocks that may signal the beginning of a game or of a round (e.g., Kim, 1998). In any case, the aim of further research is to better capture how strategic creativity occurs in these places and improve our understanding the strategies of players to achieve their different moves towards organizational transformation (Goffman, 1969).

### 4.2. MODELLING BEHAVIORAL INTEGRATION AS A TOP MANAGEMENT GAME

Since Hambrick's (1994) theorizing of behavioral integration, the concept has been left at the periphery of the strategic leadership literature (Simsek *et al.*, 2005). Thus, this article builds on the few attempts to build on it (Carmeli and Halevi, 2009; Carmeli and Schaubroeck,

2006; Lubatkin *et al.*, 2006; Simsek *et al.*, 2005) to put back behavioral integration at the fore. For that purpose, we theorized how the top management game captures its mechanisms: successive rounds of top management game during which coalitions from the top management group strategically interact. Strategic interactions foster strategic creativity that reorganizes coalitions and changes the behavioral integration of the top management group in turn.

In doing so, we offer an explanation to the behavioral integration construct: social integration, frequency and quality of exchanges, and collaboration within the top management group are mediated by the top management game. As the game evolves and fosters strategic creativity, these different elements improve over time as coalitions evolve. Based on our model, we can advance the hypothesis that radical change and exploration is more likely to occur in situations of behavioral integrated top management groups (Chen *et al.*, 2010), and in contrast, a low degree of behavioral integration tends to lead to strategic paralysis. Our theorizing also showcases the multi-level perspective on behavioral integration. While Simsek et al. (2005) confirmed Hambrick's (1994) initial hypothesis that behavioral integration is a multi-level concept, we showed that it is not only determined at the organization, group and CEO level, but also at the environmental level. As we explain that the top management game plays in response to shocks, we add the environmental as another determinant of behavioral integration and explain the causal relationship. Finally, we show that behavioral integration is non-deterministic as it evolves throughout rounds of games. Each new round has the capacity to nurture strategic creativity, change the structures of coalitions, and make behavioral integration evolve. Thus, solving the exploitation/exploration dilemma, which is the outcome of a top management game cannot be determined based on the top management group cognition, personality, or competencies: it is the strategic interactions that determine the behavioral integration. In other words, we offer an alternative explanation to the link between behavioral integration and ambidexterity (Carmeli and Halevi, 2009; Lubatkin *et al.*, 2006).

Overall, we argue that behavioral integration builds on the strategic interactions of the top management group rather than on its behavior, that it spans different levels from the organizational environmental to the top management group, and that it is non-deterministic as it depends on the outcome of a top management game. Future research could now investigate the concept of behavioral integration further by delving deeper into the functioning of the top management game to better understand the mechanisms that lead to behavioral integration. For instance, one way to do so would be to understand if there are typical configurations

leading to exploration or exploitation outcomes, based on shocks, coalitions, rounds of game, etc. (Furnari *et al.*, 2021)

### 4.3. IMPLICATION FOR AMBIDEXTERITY AND PUNCTUATED EQUILIBRIUM RESEARCH

Our article helps to improve our understanding of the ambidexterity process that takes place among top executives. First, we show that top executives shift from an exploitation to an exploration dynamic thanks to the strategic interactions of the upper echelon. While previous research showed how top executives' behavioral integration improved its capacity to become ambidextrous (Carmeli and Halevi, 2009; Lubatkin *et al.*, 2006), we further this analysis as the top management game explains how the top management response to the exploitation/exploration dilemma occurs. Second, we show that the paradoxical tensions observed by Smith and Tushman (2005) between exploitation and exploration occur during each round of top management game and constitute the period of flux during which organizations attempt to overcome a shock. They also constitute the dialectic process that occurs during decision-making and is described by Denis et al. (2001). These different elements confirm the processual nature of top executives' organizational ambidexterity.

Our model of top management game also allows the rediscovery of punctuated equilibrium theory that has seldom been discussed (Wischnevsky and Damanpour, 2005). First, while the theory made clear that top executives trigger change in response to a shock, it left unanswered the mechanisms through which they actually do it (Tushman and Romanelli, 1985). We show that is not shocks *per se* that trigger radical change but their deciphering by top executives. Second, we show that revolutionary or evolutionary change occur thanks to the strategic interactions that occur among top executives. This confirms Nadler and Tushman (1990) who questioned the leadership capacities of CEOs as the only determinant of change. It also goes beyond their arguments by developing the concept of top management game that models how these strategic interactions occur. Third, while punctuated equilibrium theory shows that change can either be steered by the current executive team or by a CEO hired from the outside without explaining the reasons of each situation (Romanelli and Tushman, 1994; Tushman and Rosenkopf, 1996; Virany *et al.*, 1992; Wischnevsky and Damanpour, 2005), the concept of top management game explains that if the dominant coalition wins a round of game, the organization is likely to keep its ongoing path and the current executives let the managers oversee incremental change. In contrast, if a dissident coalition wins a round of game, the organization is likely to change its path and a new CEO (hired from the outside or from the

organization) is likely to steer revolutionary change. Overall, our model turns punctuated equilibrium theory from a deterministic model to an explanatory model of radical change.

### 4.4. PRACTICAL IMPLICATIONS

Our research offers two main implications for practice. First, by developing the concept of top management game to understand how the upper echelon faces shocks, we show that it is possible to model, design, and understand what happens in executive suites during trouble times. This is a major implication for executives, consultants, and boards of directors who face shocks and nowadays conduct radical changes in a daily basis. Our model offers the possibility for them to understand the role of their strategic interactions with the other top executives of their organization. Second, by describing how organizations adapt to shocks, we highlight some necessary strategizing skills to adapt the organization. They not only consist of behavioral and cognitive competences but also of interaction and social capabilities. This is another major implication for the educators who train executives how to improve their capabilities.

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